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Consultation response: Ofgem Draft Vulnerability Strategy 2025

Response by the Money Advice Trust

Date: August 2019

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2018, our National Debtline and Business Debtline advisers provided help to more than 204,000 people by phone and webchat, with 1.7 million visits to our advice websites.

In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2018 we delivered this free training to over 820 organisations. Furthermore, Money Advice Trust Training and Consultancy services have worked with over 224 commercial organisations to identify and support their customers in vulnerable circumstances.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Public disclosure

Please note that we consent to public disclosure of this response.

Introductory comment

We welcome the opportunity to respond to this consultation. Ofgem is right to regard consumer vulnerability as one of its key priorities and we agree the time has come to review its original 2013 strategy.

We would also like to thank Ofgem for providing opportunities for consumer groups to constructively engage with the regulator in the period leading up to publication. We were able to articulate our chief concerns as part of this process. In view of this, our written response will be relatively brief.

Background

The Money Advice Trust has an active and on-going interest in consumer vulnerability in the energy market. With regard to financial vulnerability, energy debt and the difficulties paying for on-going energy usage make up a significant share of the problems we help people to resolve through our free advice services. As we noted in our 2018 report, A decade in debt, the incidence of energy debt and arrears on other household bills among National Debtline callers has increased significantly over the last ten years.¹ As of 2018, almost one in five National Debtline callers has energy arrears. Allied to this, we have seen a general shift towards more callers with low incomes who experience serious problems affording to pay even their essential outgoings.

Recognising the strong links between debt and non-financial vulnerability, the Trust has worked with partners over the past decade to develop practical tools, guidance and training to support firms and their staff to identify and respond to consumers in vulnerable circumstances. In October 2017, we produced dedicated guidance on vulnerability and mental health for energy companies, reflecting industry-specific issues and priorities.²

More recently, the Trust's Chief Executive, Joanna Elson, served as a commissioner for the Commission for Customers in Vulnerable Circumstances, set up by Energy UK. Ofgem will be familiar with this work and its specific recommendations for industry, Ofgem, government and other stakeholders.³ We support the Commission's recommendations.

Summary of our response

- ✓ We agree with the priority areas and consumer outcomes set out in the draft strategy, and particularly welcome the focus places on improving identification of vulnerability.
- ✓ We recommend that Ofgem considers benchmarking as a tool for better understanding and improving performance across the industry.
- ✓ We recommend that Ofgem reconsiders its position on microbusiness vulnerability and brings forward proposals to address personal vulnerability of microbusiness owners, either as part of the consumer vulnerability strategy or within the strategic review of the microbusiness retail market.
- ✓ We support the proposed outcomes on affordability, and recommend that Ofgem takes steps to ensure that suppliers take affordability pressures into account in the design of their services and in how they interact with customers.

¹ Money Advice Trust, *A decade in debt*, September 2018, <http://www.moneyadvicetrust.org/researchpolicy/research/Documents/Money%20Advice%20Trust%2c%20A%20decade%20in%20debt%2c%20September%202018.pdf>

² Money Advice Trust, *Vulnerability, mental health and the energy sector: a guide to help identify and support consumers* <http://www.moneyadvicetrust.org/creditors/creditsector/Documents/Energy%20UK%20report.pdf>

³ Energy UK, *The Commission for Customers in Vulnerable Circumstances: Final Report, 2019*, <https://www.energy-uk.org.uk/publication.html?task=file.download&id=7140>

Responses to individual questions

Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?

We agree with the priority areas and consumer outcomes Ofgem has identified.

We welcome the focus Ofgem intends to place on **improving identification of vulnerability**. This is a key area in which data, company culture and external guidance, training and support all have a key role to play.

The Priority Services Register (PSR) is an important tool for tackling vulnerability in the energy sector. However, not all vulnerable situations lend themselves to a Priority Services Register approach. In some cases, small and informal adjustments to the way suppliers communicate and handle customer accounts may be sufficient and effective. Conversely, failure to make such adjustments may have a detrimental effect on customers. We are concerned, based on our engagement with the industry, that suppliers may allow PSR to dominate their thinking on vulnerability, to the exclusion of other factors and approaches. To avoid this risk and drive more rounded approaches to vulnerability, **PSR metrics should be combined with non-PSR metrics**.

We recommend that Ofgem to considers **benchmarking** as a tool for understanding and improving performance across the industry. Large-scale research exercises have been carried out by the University of Bristol Personal Finance Research Centre in the financial services and debt collection industries looking at how well frontline staff understand and respond to a range of vulnerabilities.⁴

Such studies:

- ✓ build a detailed evidence-based picture of the barriers to identification, combining qualitative, quantitative and comparative data;
- ✓ establish a benchmark for assessing the performance of suppliers relative to others;
- ✓ establish a benchmark for assessing progress over time and the impact/effectiveness of efforts by industry and the regulator;
- ✓ allow both suppliers and regulators to focus their efforts on priority areas;
- ✓ provide a basis for developing tools and guidance with real-world applications for frontline staff and customers.

We disagree with Ofgem's position on microbusiness vulnerability. At Business Debtline, we advise many small business owners who find themselves to be vulnerable in a personal capacity due to factors such as poor physical or mental health, life shocks, limited skills or low financial resilience. At the level of the smallest businesses, which are often single-person operations and have very limited resources, it is impossible to fully disentangle personal and business problems. The way energy suppliers respond to small business owners in such a situation is critical. An unsympathetic attitude may mean that a viable business with reasonable long-term prospects of success is forced to cease trading. We have set out our thinking and some indicative evidence from Business Debtline in our response to Ofgem's recent opening statement for the strategic review of the microbusiness retail market.⁵

⁴ For example, Fitch, C., Evans, J. & Trend, C., *Vulnerability, a guide for debt collection: 21 questions, 21 steps*, March 2017.

⁵ Money Advice Trust, Consultation Response, Ofgem Opening Statement – Strategic Review of the Microbusiness retail market, [http://www.moneyadvicetrust.org/SiteCollectionDocuments/Policy%20consultation%20responses/Unilateral%20responses/Money%](http://www.moneyadvicetrust.org/SiteCollectionDocuments/Policy%20consultation%20responses/Unilateral%20responses/Money%20Advice%20Trust%20-%20Og%20em%20-%20Strategic%20Review%20of%20the%20Microbusiness%20Retail%20Market%20-%20Money%20Advice%20Trust%20-%202017.pdf)

Whether personal vulnerability of microbusiness owners is best addressed through the Consumer Vulnerability Strategy or through the Strategic review of the microbusiness retail market is a question for Ofgem to consider. We would however strongly recommend that Ofgem reconsider this aspect of vulnerability and bring forward proposals to strengthen protections for microbusiness owners.

Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.

We support the range of outcomes Ofgem is proposing under this section. On affordability, we recognise that wider affordability pressures, such as welfare changes, zero hours contracts, the rising cost of living and low wages, are primarily for government to address. Ofgem should, however, seek to ensure that energy suppliers take such pressures properly into account in the way they design their services and respond to customers. For suppliers, this could mean:

- ✓ offering short payment breaks to customers who are experiencing an income shock or change in situation;
- ✓ greater flexibility in debt repayment plans, particularly around the timing of repayments;
- ✓ supporting customers to maximise their incomes from non-energy sources, such as benefits and tax credits, either themselves or via third-party partnerships;
- ✓ delivering energy saving advice; and
- ✓ offering greater support to customers who need help understanding their energy spending and bills.

We strongly welcome Ofgem's focus on **self-disconnection** and agree that both consistency from suppliers and improving customer awareness of the support available are key areas to address.

We agree that **better outcomes for customers in payment difficulty** should be a priority area for the vulnerability strategy and we are pleased that Ofgem plans to consider strengthening its guidance on Ability to Pay. As we have previously noted, this guidance was instrumental in driving change within the industry after its introduction in 2010. One specific area we would urge Ofgem to include in this review is energy suppliers' use of court action. In particular, we would like to see a focus on the enforcement of county court judgments via the use of High Court Enforcement Officers. We are concerned by cases we encounter at National Debtline which involve such action being taken against clients in vulnerable situations. We have seen some cases that involve clients who have serious illnesses or disabilities, as well as a recent case where the fees added by the HCEO outweighed the original debt.

[20Advice%20Trust%20response%20to%20Ofgem%27s%20opening%20statement%20strategic%20review%20of%20the%20microbusiness%20retail%20market.pdf](#)

Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?

See our previous responses.

Question 4: Do you agree with our proposals for the first year of the strategy?

Yes, we think Ofgem has identified a sensible and appropriate set of priorities for the first year of the strategy.

For more information on our response, please contact:

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